BC Buildings Corporation

2001 – 2002 Annual Report

Reshaping our business to better serve our customers and our province

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British Columbia Buildings Corporation

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BC Buildings Corporation

British Columbia Buildings Corporation (BCBC) is a Crown corporation established in 1977 to provide accommodation and real estate services to the provincial government.

In 1997, provincial legislation was passed to expand BCBC's mandate to enable the Corporation to provide its services to the broader public sector.

BCBC's mission is to support effective service delivery of government ministries, agencies of the Crown and other publicly funded organizations by providing real property and accommodation infrastructure solutions. BCBC does this by efficiently planning and managing the provision of solutions, providing stewardship of the assets and resources entrusted to it, and providing knowledgeable advice and expertise. This mission is achieved by a diverse and motivated team of highly skilled employees working with the private sector.

BCBC is a highly decentralized Crown corporation with a province-wide network of operating locations and almost two-thirds of its employees strategically located throughout the province.

BCBC Districts

1. **Skeena/Central Interior/Peace District:**
   Clinton, 100 Mile House, Williams Lake, Likely, Quesnel, Hagensborg, Bella Coola, Horsefly, Alexis Creek, Prince George, Fort St. John, Dawson Creek, Fort Nelson, MacKenzie, McBride, Valemount, Vanderhoof, Fort St. James, Fraser Lake, Burns Lake, Smithers, New Hazelton, Kitwanga, Terrace, Prince Rupert, Stewart, Dease Lake, Atlin, Kitimat, Queen Charlotte Islands.
2. **Thompson/Okanagan/Kootenay District:**
   Kamloops, Vernon, Kelowna, Penticton, Salmon Arm, Merritt, Lillooet, Blue River, Osoyoos, Clearwater, Princeton, Sicamous, Oliver, Nelson, Cranbrook, Golden, Revelstoke, Castlegar, Trail, Grand Forks, Invermere, Fernie, Creston, Kimberley, Rossland, Kaslo, Nakusp.
3. **Vancouver Island/North District:**
   suburban Victoria, Vancouver Island, Powell River, Gulf Islands.
4. **Vancouver District:**
   City of Vancouver, North Vancouver, West Vancouver, Pemberton, Sunshine Coast, Squamish, Whistler.
5. **Fraser District:**
   Abbotsford, Maple Ridge, Chilliwack, Upper Fraser Valley, Hope, Delta, Surrey, White Rock, Langley, Richmond, Cloverdale, Aldergrove, Pitt Meadows.
6. **Burnaby/New West/Tri-Cities District:**
   Coquitlam, Port Coquitlam, Port Moody, New Westminster, Burnaby.
7. **Victoria District:**
   downtown Victoria, Legislative Precinct, Government House.

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Minister of Management Services
and Minister Responsible for BCBC
Sandy Santori

Her Honour,

The Honourable Iona Campagnolo
Lieutenant-Governor of the Province of British Columbia

May It Please Your Honour,

The undersigned has the honour to present the Annual Report of the British Columbia Buildings Corporation for the year ended March 31, 2002.

Sandy Santori
Minister of Management Services
and Minister Responsible for BCBC

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Corporate Profile

The mandate of British Columbia Buildings Corporation (BCBC) is confirmed, as established, under Section 4 (1) of the *British Columbia Buildings Corporation Act*, and amended under Section 2 of the *Miscellaneous Statutes Amendment Act (No.2), 1997* to be as follows:

"The purpose of the corporation is to serve as an agency of the government in providing land and buildings for accommodation of ministries of government, public bodies and agents, corporate or otherwise, of the government by lease or licence or any other arrangement for the use and occupation of the accommodation."

This mandate includes the following responsibilities:

- to provide cost-effective real estate and accommodation services to the public sector (a service provider function);
- to contribute to its customers' success through a thorough understanding of its customers' needs and identifying related best value accommodation solutions; and,
- to fulfil an obligation to the shareholder to provide innovative stewardship of real property infrastructure.

The Corporation is highly decentralized, with approximately 850 employees strategically located in seven districts (including 35 service centres and 24 satellite offices), and almost two-thirds of BCBC's employees located outside of Victoria in communities throughout the province. The portfolio of owned, leased and maintained properties, which BCBC administers on behalf of the Province, extends throughout almost 300 communities.

BCBC operates on the principle that the management of the delivery of these services is best provided through in-house expertise, but that most (over 80 per cent) of the actual delivery is best accomplished through the private sector.

Enduring Purpose

The enduring purpose is the essence of the Corporation's vision, mission and core values. It is lived on a daily basis across the organization. BCBC's enduring purpose is:

"Best Solutions for Best Value"

By Best Solutions, we mean contemporary and sustainable products and services that best meet the requirements of our customers, the communities they serve, and the interests of government.

By Best Value, we mean providing our customers with a full range of cost-effective quality products and services at market-comparable prices.

Vision

Our vision statement describes a compelling future state that we believe is both ambitious and attainable.

We will be vital to our customers' success by creating flexible and affordable workplace environments that respond to their changing world of work.

We will be indispensable to our shareholder through our innovative stewardship of public real estate assets.

As a result, we will earn respect and recognition as leaders in providing "Best Solutions for Best Value."

Mission

Our mission describes the purpose towards which we, as employees, commit our work life. The mission describes the business we are in, why we exist, what we produce and whom we serve.

We are a Crown corporation with a community presence throughout British Columbia.

Our mission is to support effective service delivery of government ministries, agencies of the Crown and other publicly funded organizations by providing real property and accommodation infrastructure solutions.

We do this by:

- efficiently planning and managing the provision of solutions;
- providing stewardship of the assets and resources entrusted to us; and,
- providing knowledgeable advice and expertise.

In carrying out our mission, we contribute to the sustainability of communities and our environment.

Our mission is achieved by our diverse and motivated team of highly skilled employees working with the private sector.

Corporate Positioning

Corporate positioning describes what situates us uniquely in our business environment that causes our customers to want to do business with us. It builds on our enduring purpose.

We are a shared service provider to public sector organizations for real property and accommodation infrastructure services. We differentiate ourselves through our customer relationships, distinctive knowledge and effective work with the private sector.

We offer our customers choice and we earn their loyalty.

We provide "best solutions for best value."

Core Services

BCBC currently operates three lines of business:

Strategic real property and accommodation infrastructure planning: the identification of customer program delivery needs; and, development of innovative accommodation and real property infrastructure solutions.

Portfolio management/stewardship of public real property and accommodation infrastructure: the development of policy and standards; vacant space management; long term planning; acquisition and disposal analysis; return on investment; and, environment management.

Management of service delivery: the management of operations and maintenance services; negotiation and management of leases with the private sector; and, planning and management of building construction, major capital upgrades, renovations and tenant improvements.

Core Values

These values represent our corporate and individual behaviours and define how we will treat our customers, suppliers and each other.

- We treat all individuals with fairness, dignity and respect.
- We are open and honest and demonstrate integrity in everything we do.
- We work to know our customers and treat them as partners.
- We make and keep our commitments—get the job done!
- We are flexible, innovative and proactive.
- We work with our customers to bring value to our shareholder and the taxpayer.
- We support one another to achieve corporate goals.
- We measure and monitor our performance to established targets.
- We support and develop our people to achieve our corporate and individual potential.
- We are socially and environmentally responsible in our business operations.

President's Message

Reshaping the Corporation for the Future

Dennis Truss
President and
Chief Executive Officer

This year, BC Buildings Corporation (BCBC) prepared to mark its 25th anniversary as a Crown corporation serving its public sector customers and its shareholder, the province of British Columbia. I am pleased and proud to report upon this pivotal year for the Corporation, a year in which we embraced the challenge and the opportunity of reshaping our business to better serve our customers and our province.

As did all government ministries and agencies during this past fiscal year, BCBC participated in government's Core Services Review, a comprehensive assessment of an agency's purpose and its value to government in meeting the public interest. Continuous improvement of our business has been a key focus for the Corporation during the last quarter century. The Core Services Review presented us with an opportunity to present, and to obtain approval of, the key strategic shifts that align with the direction of the government and that will be required to enhance value to our customers in the future. These key strategic shifts will build on the Corporation's existing strengths and reshape its services and delivery model to better serve its customers.

In order to do so, the Corporation will need to develop innovative solutions to some major issues impacting our business. Stringent capital funding and budgetary constraints will require the development of alternative service delivery strategies. Although over 80 per cent of the Corporation's expenditures are currently with the private sector, we will be increasing the role of the private sector in service delivery.

The large-scale government restructuring and very challenging fiscal targets impacting our ministry customers will require us to be proactive in managing the resulting accommodation issues. This will also mean a rationalization of our portfolio of properties. Finally, the Corporation will pursue opportunities to add value with regard to accommodation-related services to other agencies of government and will be strengthening its current shared service provider role and increasing the focus on the health and education sectors.

I am very pleased to report that the Core Review and Deregulation Task Force endorsed the Corporation's mandate, our proposed strategic shifts to align with government's strategic direction and our proposed three-year implementation plan. This implementation plan can be encapsulated as the following five major action items:

> Lead the rationalization of government accommodation;
>
> Increase the role of the private sector and the use of alternative service delivery;
>
> Dispose of assets strategically;
>
> Strengthen BCBC's shared services model; and,
>
> Increase the focus on health and education sectors and on the efficiency of government's overall real property system.

In turn, these five major action items laid the foundation of BCBC's 2002-2005 Service/Strategic Plan, which details the strategic objectives, measures, targets, strategies and tactics that will enable us to implement these five action items over the next three years. Our 2002-2005 Service/Strategic Plan was tabled in the Legislature on February 19, 2002.

Our 2002-2005 Service/Strategic Plan also introduced a new Corporate Positioning for BCBC that highlights the fundamental reshaping of our business:

> We are a shared service provider to public sector organizations for real property and accommodation infrastructure services. We differentiate ourselves through our customer relationships, distinctive knowledge and effective work with the private sector. We offer our customers choice and we earn their loyalty. We provide *"best solutions for best value."*

As we envision this reshaping of our business as fundamental, we are referring to this process as one of transformational change. This organizational transformation also needs to be accomplished within the next three years in order to enable BCBC to deliver on its commitment to government to achieve the specific targets delineated in the 2002-2005 Service/Strategic Plan. Accordingly, we have initiated a transformational change team to drive this process at BCBC.

The following *Year in Review* and *Report on 2001-2002 Performance* sections provide more specific information about both key developments and performance results during the 2001/02 fiscal year, as well as specific progress made on each of the five action items. I am pleased to report that all these results demonstrate a year of considerable achievement for BCBC.

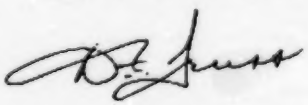
On behalf of the BCBC executive, I would like to thank Doug Allen, Chair, and the other members of the Board of Directors for their commitment and support during a particularly challenging year for the Corporation. The active role that the Board played in the preparation and success of our presentation to the Core Review and Deregulation Task Force is much appreciated.

I would also like to recognize the members who left the Board during the 2001/02 fiscal year, Carole Gillis and Jageero (Jag) Johl, and those who left in May 2002, namely: Cathy Flikweert, Robert Hobson, Patrick Kelly and Don O'Connor. I would like to thank them all for their valuable contribution while members of the Board.

It is also my pleasure to welcome Taryn Brodie, Tod Cooper, Gary Cowan, Mike Delesalle, Lynne Fehr, Lucie Gosselin and Randy Zien who, with Chair Doug Allen and Peter Cook, comprise the Corporation's Board of Directors as of May 2002

I would also like to sincerely thank our Minister responsible, the Honourable Sandy Santori, for his support and assistance throughout the year.

Finally, the Vice Presidents and I extend our deep appreciation and our commendation to all our employees for their understanding and support and their constancy of commitment and focus during a year of intense activity and change. On behalf of the Corporation, I also wish to acknowledge the significant contribution made to BCBC over the years by the 118 employees who chose to participate in our early retirement incentive program, and to extend to them my very best wishes for a fulfilling retirement.



Dennis Truss, FCA
President and
Chief Executive Officer

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Reshaping our business to better serve our customers and our province

This was a pivotal year of transition for BC Buildings Corporation (BCBC). On the cusp of moving from its first 25 years of operation into its second, the Corporation began a fundamental reshaping of its business—a reshaping designed to better serve its customers and the province.

With its tradition of continuous improvement, BCBC had been working on this reshaping process for several years. In 2001/02, government's Core Services Review presented the Corporation with the opportunity to formalize some key strategic shifts in its business that align with current government direction and priorities.

The Core Review and Deregulation Task Force endorsed BCBC's proposed strategic direction as well as its proposed three-year Service/Strategic Plan to implement this direction. The key pillars of this Plan are five major action items that constitute BCBC's blueprint for change.

Lead the rationalization of government accommodation

Operational overview

In October 2001, Treasury Board directed BCBC to lead the rationalization of government accommodation arising from the government-wide restructuring approved through the Core Services Review process. This is the largest and most complex accommodation restructuring project that BCBC has ever undertaken. Province-wide space reductions approaching three million square feet and annualized ministry building occupancy charge reductions of more than $60 million are anticipated by the end of 2004/05.

To support this Government Accommodation Restructuring Initiative (GARI), BCBC established a Steering Committee comprised of BCBC directors and Treasury Board Staff representatives and a Working Team comprised of key BCBC managers and staff representing the line and support functions essential to the success of the initiative. BCBC will be responsible for the overall management of this initiative and will provide status reports, including high-level forecasts, to Treasury Board and Treasury Board Staff on a regular basis.

In keeping with its commitment to customer success, the Corporation has been focusing on the initiation of collaborative scenario planning in consultation with ministry customers. The objective has been to build consensus among ministry customers in support of accommodation solutions that align with their revised program delivery needs and optimize the use of a reduced portfolio.

Initial scenarios balancing the more significant accommodation demand and supply considerations in Victoria are well underway. These include single or multi-building consolidation solutions for larger ministry customers. The scenario planning is being done sequentially. Once solutions are in place for larger consolidations, solutions will be pursued for smaller ministries or those requiring changes of lesser scope.

Elsewhere in the province, planning for several large facility closures and transfers, particularly for courts and correctional facilities, is well underway. BCBC is also supporting the work of cross-ministry work teams in 16 communities around the province as they prepare integrated service delivery recommendations. Where these service delivery improvements require accommodation solutions, BCBC will be working with these teams to implement such solutions in a timely and cost-effective way.

BCBC is confident that, by collaborating with its ministry customers and central government agencies, and utilizing past experience in facilitating major accommodation realignments, it can successfully manage this complex and challenging government initiative.

Financial impact

As an outcome of government restructuring, demand for accommodation by government ministries will be decreasing during the next two fiscal years, and BCBC is anticipating annualized accommodation revenue reductions greater than $60 million (or 14 per cent) by the end of 2004/05. As a response, BCBC plans to reduce expenditures by 16 per cent over the next three years, while revenues are anticipated to reduce by 14 per cent. The early retirement incentive program implemented in 2001/02 will contribute to realizing these future expenditure savings.

Under the terms of the special funding arrangements for the GARI program, the Corporation will be compensated for many of the one-time costs associated with the restructuring. BCBC remains responsible for two key costs: those incurred during the first six-month vacancy period of leased properties, and any costs associated with vacant space in BCBC-owned office buildings. The Corporation will attempt to mitigate these costs through backfilling of the vacated space, consolidating space, and pursuing alternative uses and/or potential sales of properties.

The Corporation's ability to mitigate the overall cost to government of vacant space in owned and leased properties will be heavily dependent on local real estate market conditions. In Victoria, where a large proportion of the government downsizing will occur, the impacts will be significant as office vacancy rates will increase. Vacancies in regional centres where the market is soft and government represents a large portion of the economy could also be very challenging. Innovative solutions will need to be developed for these situations and for surplus special-purpose properties.

Increase the role of the private sector and the use of alternative service delivery

Operational overview

The Corporation has always endeavoured to maximize its efficiency and service quality through extensive utilization of the private sector, as well as pursuing economies of scale in its procurement and service delivery options. Currently, the Corporation uses the private sector for over 80 per cent of its service delivery and plans to increase this use to over 90 per cent by 2004/05.

This year, BCBC conducted an alternative service delivery study to assist in developing strategies to achieve this objective. As well, aggregation of service contracts within regional geographic areas has been expanded, and use of private sector contractors as the preferred option to fill positions vacated by employees has been continued.

Examples of the types of contracts that have been aggregated or consolidated in various areas are: elevator maintenance, cleaning services, alarm monitoring, and fire/safety equipment inspections and maintenance. The continuing experience and knowledge gained by the Corporation in managing these aggregated contracts will be utilized to further expand this approach on a larger scale and in other service areas.

In addition, the Corporation actively began to increase the involvement of the private sector in the provision of project management services, with the Corporation shifting its role to being the customer's representative/ advisor and utilizing the private sector to manage/co-ordinate project delivery activities on major projects.

For example, project management services for the upgrades to the Prince Rupert courthouse were provided by the private sector. These were security-related upgrades and fire and life safety code upgrades. In addition, the Corporation has been acting in the capacity of customer's representative for the Northern Health Authority on the Prince George Regional Hospital redevelopment project.

BCBC made a presentation to the Ministry of Finance about how it could assist in the delivery of public-private partnerships (P3s). The Corporation is taking steps to determine how it can best support government's capital asset management framework and Partnerships British Columbia—a publicly owned company set up to deal exclusively with P3s—with a particular emphasis on real estate and accommodation infrastructure solutions.

Financial impact

The Corporation will be making major changes in the types of services that it provides and the ways in which these services are delivered to customers. These changes, together with a reduced portfolio of owned properties, will continue the recent shift toward lower margin business.

Dispose of assets strategically

Operational overview

As part of the largest commercial disposal transaction in its history, BCBC selected Colliers International to assist in the development of the marketing strategy and list for sale two BCBC-owned properties: 4000 Seymour Place in Victoria and 865 Hornby Street in Vancouver. All due-diligence activities with respect to marketing, lease terms, conditions for the leaseback, and environmental studies were completed.

An Asset Disposition Study was conducted during the year, which included an overview of the Corporation's assets, a review of potential portfolio disposition methods and a technical evaluation of disposition methods for various asset types.

Strategies to expedite facility closures and prepare for disposals of surplus courts and correctional facilities, highways yards, and forest district offices are also being developed. In accordance with BCBC's due-diligence process for managing public properties, alternative uses by government or provincially funded agencies are explored, as well as opportunities to facilitate commercial redevelopment by the private sector. Wherever possible, opportunities to dispose of properties to local communities are being pursued.

Financial impact

Government restructuring will result in a number of BCBC properties becoming surplus to ongoing requirements. Property disposal decisions will be considered within the context of customer requirements and a business perspective. Specialized properties such as correctional facilities will require innovative approaches in order to achieve maximum shareholder value.

The Corporation currently has two major office properties—4000 Seymour Place, Victoria and 865 Hornby Street, Vancouver—offered for sale, with completion expected in 2002/03.

It is envisaged that proceeds from the sale of properties will be largely applied to retire long-term debt, subject to the prevailing market conditions.

Strengthen BCBC's shared services model

Operational overview

During the year, the Corporation contracted with CAIL Consulting Group Inc., experts in shared services, to conduct an assessment of BCBC as a shared services provider of real property and accommodation infrastructure services and to make recommendations as to how BCBC could enhance its shared services provider role and provide greater benefit to government.

To understand how best to enhance the Corporation's role, best practice research of shared services organizations was conducted regarding methods for developing customized service level agreements, means of differentiating governance activities from service delivery functions, and options for offering choice to customers. This research has provided the basis upon which BCBC can strengthen its shared services model.

The Corporation has received confirmation of its market-based pricing policy for service provision from Treasury Board. This confirmation has also established the basis for further shared services initiatives such as collaborative partnership opportunities with other government agencies leading towards full workplace provisioning or a "one-stop shop" for accommodation-related services.

The Corporation is exploring opportunities to collaborate with the Common Information Technology Services (CITS) and with the Purchasing Commission on expanding service delivery to full workplace provisioning for mutual customers. Specifically, BCBC and CITS are examining the relocation of regional network centres to provide a higher level of service and reduced facility costs; an integrated approach to supplying facilities, data and communications; and, opportunities to make workplaces more flexible and adaptable to support customer program changes.

Financial impact

The expansion of BCBC's role as a shared services provider of real property and accommodation infrastructure services will lead to an overall reduction in costs for government. For the Corporation, this expansion will help to offset the anticipated revenue reductions in other areas.

Increase the focus on health and education sectors and on the efficiency of government's overall real property system

Operational Overview

Working with the Health Sector

BCBC's Health Services Group specializes in working with the health sector and works closely with the Ministry of Health Services, the Ministry of Health Planning, the five regional health authorities and the provincial health services authority.

The Health Services Group has largely completed a functional and physical inventory assessment of all residential-care facilities in the province. This assessment will provide strategic information required by the health authorities and the Ministry of Health Services to enable them to meet government's commitment to increase the number of residential-care beds in the province and to reposition the existing facilities in support of the government's Home and Community Care strategy. The Health Services Group, acting as the customer's representative, engaged a province-wide team of 11 privatesector consultants to complete this assessment.

BCBC is assisting some regional health authorities to rationalize their real estate portfolios with the objective of optimizing the use of their owned space. In order to optimize service delivery and maximize property value, BCBC is also partnering with health authorities to develop strategies for those BCBC-owned properties in which the health authorities have interests.

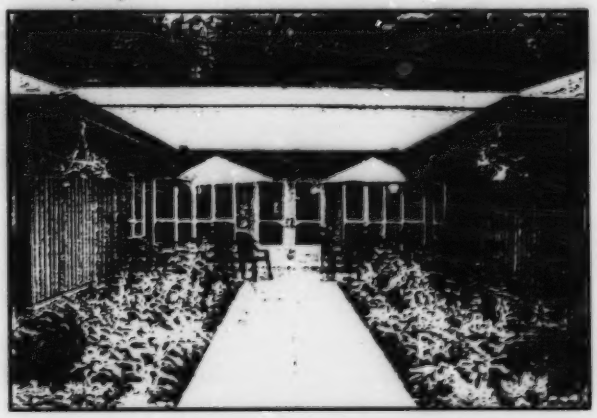
For example, the Corporation is engaging in discussions with the Fraser Health Authority to determine the feasibility of redeveloping a portion of the Woodlands site in New Westminster (owned by BCBC) into a Community of Care to ensure that emerging needs of the Health Authority are met. The Community of Care redevelopment would entail a variety of services and developments to support the needs of the aging population on both the Woodlands site and in the broader New Westminster community. This redevelopment would include affordable housing and support services.

Riverview Mental Health-Care Prototype

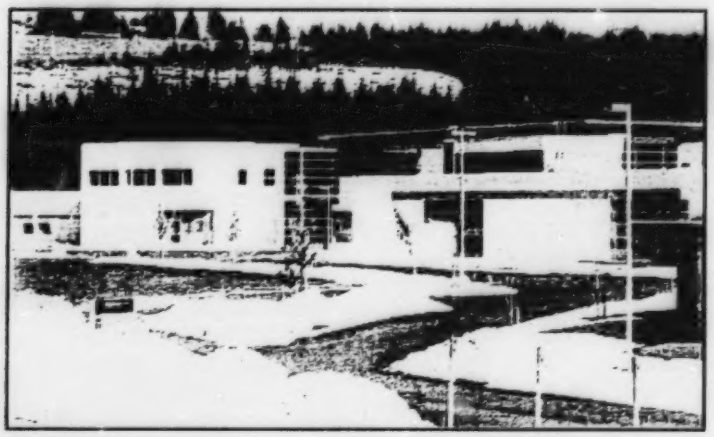
In partnership with the BC Mental Health Society, the Corporation completed Connolly Lodge, a new residential mental health-care prototype on the Riverview site. This prototype facility is providing community-based residential housing for adult long-stay mental health clients.

This prototype is innovative in two ways. Firstly, it represents a new direction in mental health care, i.e., residential health-care. Secondly, it demonstrates the benefits of integrating program and facilities expertise in design planning. In the case of Connolly Lodge, the operational cost savings will pay for its construction within three years.

Connolly Lodge



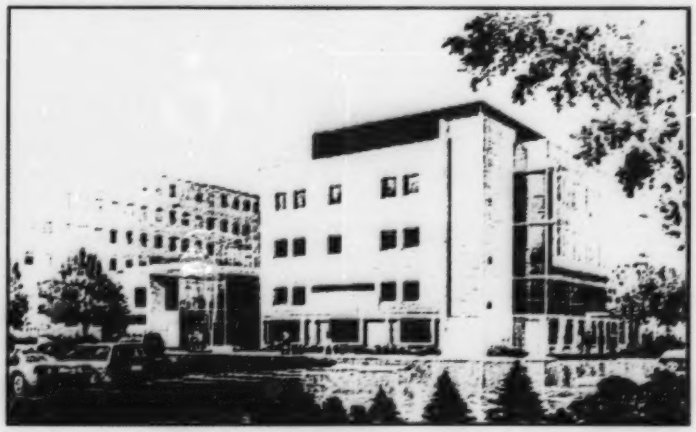
Connolly Lodge is also serving as a model for similar facilities in other communities around the province, such as Iris House on the Prince George Regional Hospital site.



Kitimat General Hospital and Health Centre
The new Kitimat General Hospital and Health Centre, started in April 2000 and BCBC's first acute-care hospital project, was completed this year on schedule and under budget on behalf of the Northern Health Authority.

Kitimat General Hospital & Health Centre

Prince George Regional Hospital



Prince George Regional Hospital Redevelopment
BCBC, acting in the capacity of customer's representative, has been co-ordinating a team of professional consultants, project and construction managers on behalf of the Northern Health Authority in the redevelopment of the Prince George Regional Hospital. The project consists of two phases: phase one, a building addition of 11,500 square metres and phase two, renovations to 6,700 square metres of the existing hospital. The total redevelopment project has a budget of $50 million. On completion of the four-storey addition, anticipated for the spring of 2003, the renovation of portions of the existing hospital will start.

BCBC is also acting as the Northern Health Authority's representative for a nine-room expansion of the recently completed Iris House, a prototypical mental health residential facility located on hospital property. The expansion project totalling approximately $1.1 million is to be ready for occupancy by spring 2003.

Working with the Education Sector

In July 1999, BCBC signed a five-year Memorandum of Agreement with Conseil Scolaire Francophone de la Colombie Britannique (CSF) to provide property-management services for seven schools. Established in 1996 to administer French-only schooling in the Lower Mainland, CSF is now responsible for the entire province.

BCBC's relationship with CSF continues to be excellent. In addition to day-to-day facilities management, the Corporation, on behalf of CSF, is engaging the private sector to deliver two projects: a $500,000-structural upgrade to the Port Coquitlam school, which is underway; and a $300,000-expansion of the Kelowna school, which is now in the planning stages.

Financial impact

The Corporation is looking to leverage the experience of its Health Services Group in expanding its role in the health sector and to increase its provision of real property and accommodation infrastructure services to the education sector. This will provide a valuable opportunity from two perspectives. From a shareholder perspective, it is consistent with the strengthening of BCBC's role as the shared services provider for real property and accommodation infrastructure, and it will make the Corporation's expertise available to a wider group of provincial public-sector agencies. For BCBC, further expansion into these customer sectors provides value-added services to these customers and will help to offset the anticipated revenue reductions in other areas.

Reshaping BCBC's business through transformational change

The outcomes of the five major action items, along with external forces like emerging customer expectations and technology, will result in the transformational change of BCBC.

To ensure that this transformation is successful, the Corporation has established a Transformation Steering Committee, which was launched in February 2002. The Committee oversees the work of five special teams dedicated to delivering on the five major action items, as well as three additional teams (human resource renewal, information technology, and organizational redesign) established to enable the transformation. A Change Project Office was formed to ensure integration between the work teams, effective internal and external communications, and engagement of stakeholders in the process.

Key operational highlights and trends

The following key operational highlights and trends are drawn from the *Report on 2001/02 Performance* detailed later in this annual report. They are summarized according to BCBC's five 2001-2004 Strategic Objectives.

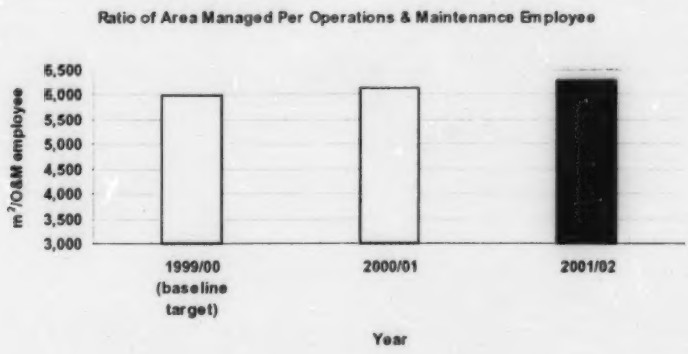
Strategic Objective 1: Customer Success

All customers were retained this year.

- Customers confirmed that BCBC fulfilled 96 per cent of the commitments (within the Corporation's control) made in customer plans.
- The Corporation achieved $5.25 million in cost savings to customers from business expansion initiatives and the implementation of innovative solutions, substantially exceeding the annual target and surpassing the three-year target in just two years.

Strategic Objective 2: Strengthening Our Foundation

- A number of E-Business applications and technology-based solutions were made available to BCBC customers and suppliers. These include: an online Request for Service (e-RFS) for customer requests; Web-based applications for customers including a BCBC organizational chart, a province-wide building contact inquiry system and the ability to access leased space requests online; the development of an online estimating tool to help customers with their accommodation scenario planning needs; the new Property for Sale Web site; and, an application for health authorities to match suppliers to their accommodation-related projects.
- Four benchmarking reviews of the Human Resources function were completed, and a Human Resources Activity-Based Costing system was developed and implemented. A methodology for the ongoing benchmarking of selected performance measures has been developed.
- The ratio of area managed per operations and maintenance employee improved over last year, and exceeded the target (1999/00 baseline level) by about 5 per cent.



Strategic Objective 3: High-Performance Culture

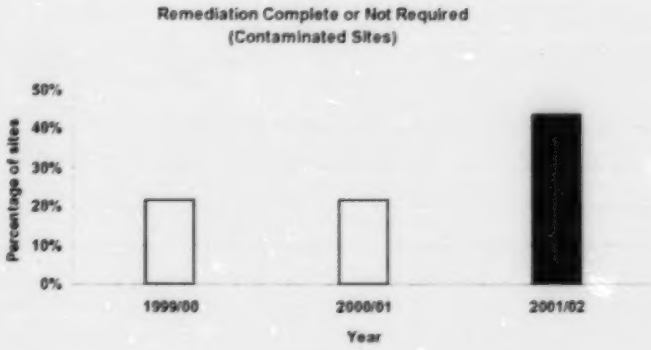
- The Corporation's new Performance Development Process (PDP) has now been implemented in 100 per cent of all work groups.
- Occupational health and safety rates improved significantly over last year's levels, as well as to the 10-year historical average.
- The Corporation continues to maintain a low rate of absenteeism. This year's rate was about 47 per cent below the provincial government level.

- The Generation Y * (Vancouver) and Youth Employment (Victoria) projects for underprivileged youth have enjoyed exceptional success rates. Graduates from these programs have employment rates and other positive outcomes that far surpass other programs with similar objectives.

  * BCBC developed the Generation Y program to assist at-risk youth, ages 17 to 24, to obtain six months of work experience in one of three areas: gardening, recycling, or heating, ventilation and air conditioning. A classroom component focuses on life skills, conflict resolution, writing and computer skills. Participants are encouraged to complete high school, or equivalent, and pursue post-secondary opportunities, including trades, where appropriate. This program helps these young people to make the transition from the streets to gaining full-time employment.

Strategic Objective 4: Innovative Stewardship

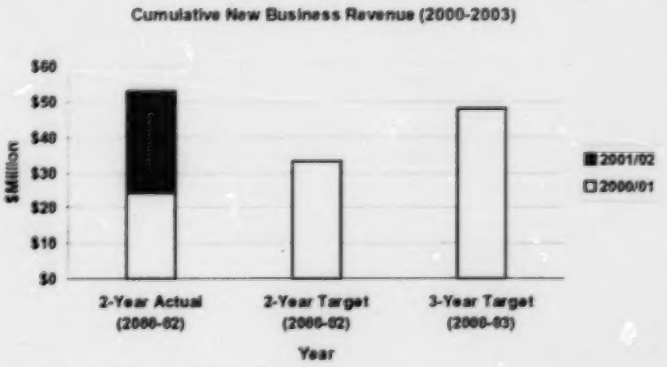
- The office vacancy rate remained very low. Benchmark data in selected urban areas indicate that the Corporation's rate is well below market vacancy rates.
- Construction at the Vancouver Island Technology Park was completed, and leasing interest has been strong. Significant features demonstrating "Green Building" principles were incorporated within the original budget and schedule. *
- Risk management activities associated with contaminated sites continue to demonstrate progress. Remediation is now complete or deemed to be not required on 44 per cent of applicable sites, and all sites identified as "high priority" have been remediated or are under remediation. *
- On average, the amount of energy consumed per square metre of space (mega joules per square metre) decreased by 4.2 per cent over last year. Most of this improvement can be attributed to operational efficiency and energy retrofit enhancements. *



* These highlights were achieved in accordance with BCBC's overall Environmental Management System, which in 2000/01, was registered to the International Standards Organization (ISO) 14001 standard—the predominant standard in the world. BCBC became the first provincial public-sector organization in Canada to achieve corporate-wide registration to the ISO 14001 standard and, this year, demonstrated continued high environmental performance to external auditing standards in order to maintain this registration. Notably, the Vancouver Island Technology Park was the first project in Canada (and third in the world) to achieve Gold certification under the US Green Buildings Council's Leadership in Energy & Environmental Design (LEED™) Rating System.

Strategic Objective 5: Business Development

- New business revenue of approximately $29 million exceeds the annual target, and with $53 million in new revenues realized in two years, the 2000-2003 target has been exceeded.
- Additional business opportunities with federal government accounts were approved to proceed. A revised five-year Memorandum of Understanding with Public Works and Government Services Canada was signed, and BCBC is reviewing new opportunities with Fisheries and Oceans Canada.



Key financial highlights and trends

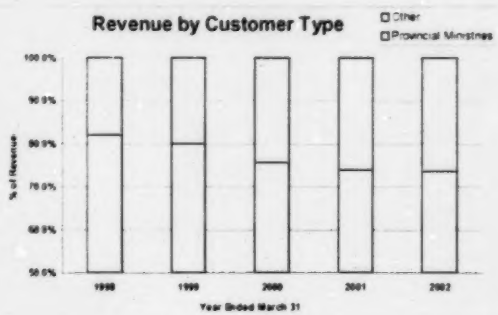
Management Discussion and Analysis

The Core Services Review process and resulting restructuring of core government programs begun during the year will have a substantial impact on all provincial public sector programs and the accommodation required to support these programs. As three-quarters of BCBC's revenue comes from provincial government ministry sources, the restructuring will have a significant impact on the Corporation's future operations.

The Corporation's net income target for fiscal year 2001/02 was originally established at $39.2 million, and subsequently increased to $40.2 million in July 2001 as part of the provincial government's revised budget for the year. The effects of unbudgeted significant restructuring costs of $5.5 million incurred during the year primarily influenced the Corporation in achieving an actual net income of $37.3 million. Within this context, the income of $42.7 million before these restructuring items compares very favourably to the revised budget of $40.2 million.

Total revenues of $459 million represent a marginal increase over the previous year's activity levels. This increase was primarily due to third-party, leased-space rate increases and a slight increase in building operations and maintenance revenues. The revenue growth in these service areas reflects a recent growth in revenues generated from the lower margin business areas of third-party leasing, building operations and maintenance, and professional advisory services. The higher margin business generated through rental of the owned building portfolio has decreased as a proportion of total revenues. Revenues from one-time, discretionary accommodation projects declined slightly from the previous year, reflecting the constrained fiscal situation of the customer base during 2001/02.

As noted above, the Corporation derives approximately three-quarters of its revenues from provincial ministry sources. This proportion has been steadily declining over recent years as the Corporation has increased levels of business activity with other provincial and federal government agencies. The following graph illustrates the recent trend of revenue by customer type.



The Corporation's total expenditures for the year were consistent with those experienced in 2000/01. Direct expenses changed in the areas of lease costs, operations and maintenance and client-requested projects commensurate with the business activity changes noted above. Energy costs, although higher than the previous year, have stabilized somewhat. The last three years have seen an increase in energy costs in excess of 30 per cent due primarily to extreme price volatility in the natural gas markets. The Corporation has taken steps to reduce the impact of this volatility by entering into longer-term price contracts for a portion of its natural gas requirements and by introducing a new energy efficiency program for customers. Operations and administrative expenses in the year were impacted by the recognition of an additional $1.5 million of non-recurring future benefit costs.

During the year, the Corporation absorbed costs associated with restructuring. The most significant of these were costs related to an early retirement incentive program, offered to employees during the year. One hundred and eighteen BCBC employees participated in the program, and will be retiring from the Corporation within the year. Plan costs of $5.1 million in 2001/02 are expected to generate annualized cost savings in excess of $4 million in future years. This will assist the organization in adjusting the workforce to respond to reduced revenues from provincial government customers. In addition to these one-time staff costs, the Corporation incurred a $0.4 million restructuring cost related to the Government Accommodation Restructuring Initiative (GARI).

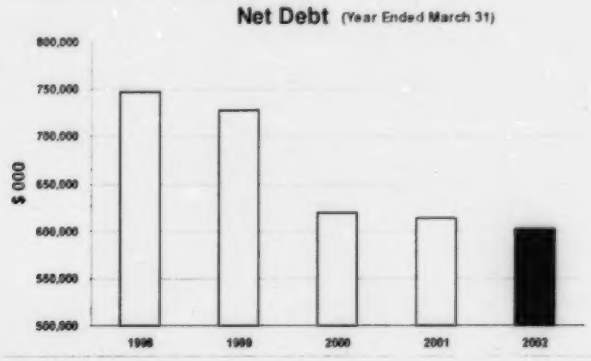
The Corporation's asset base remained relatively static during the year. BCBC disposed of 37 surplus properties during the year, generating gains on sales of $6.6 million. Significant sales included the former highways yard sites in Port Coquitlam and Nelson, and the Kingston Street former highways laboratory site in Victoria.

Gain on sales of properties can vary significantly from year to year as overall needs for property assets change. Recent sales activity has been relatively low. However, this is projected to increase in the future as more properties become surplus due to government restructuring.

Additions to the asset base during the year included completion of the renovation project at the Vancouver Island Technology Park in Saanich and Connolly Lodge, the Riverview mental health prototype facility, constructed in partnership with the BC Mental Health Society in Coquitlam.

The Corporation finances its real estate assets primarily through short-term and long-term debt. The overall debt position declined slightly during the year, as sinking fund investments grew. These funds are established for each long-term debt instrument in order to ensure the repayment of the debt upon maturity. Interest costs during the year were slightly higher than 2000/01, which reflects the one-time sinking fund gain enjoyed during the previous year.

Overall debt levels have declined significantly in the last five years resulting in interest cost savings. The following graph illustrates this five-year trend in net debt levels.



Report on 2001/02 Performance

The **Report on 2001/02 Performance** details BCBC's annual progress towards achieving the strategic objectives defined in the Corporation's 2001-2004 Service/Strategic Plan. Each year, the goals and strategies for each strategic objective in the three-year plan are translated into an Annual Plan with more specific and actionable activities and performance measures. As a result, this report presents performance against the 2001/02 Annual Plan. For each strategic objective, the report includes two sections:

- *Performance Results*—an overview of actual performance results for each goal; and,
- *Strategy Progress*—a narrative progress report for each strategy.

This year, some initiatives were deferred as customers adapted to government restructuring and BCBC refocused on positioning the Corporation to deliver on its Core Services Review commitments. Therefore, in addition to progress made against the 2001/02 Annual Plan, significant progress was made on the action items detailed in the Corporation's Core Services Review implementation plan, as follows:

Lead the rationalization of government accommodation

- A Steering Committee, comprised of BCBC and Treasury Board Staff representatives, and a BCBC Working Team were established.
- Collaborative scenario planning has been initiated in consultation with our ministry customers; scenarios balancing the more significant demand and supply considerations in Victoria are well underway.
- Planning for several large facility closures and transfers, particularly for courts and correctional facilities, is well underway.
- BCBC is supporting the work of cross-ministry work teams in several communities as they prepare integrated service delivery recommendations.

Increase the role of the private sector and the use of alternative service delivery

- The Corporation has started to aggregate contracts regionally.
- Contractors are being hired, where required, to fill positions vacated by BCBC employees who opted for early retirement.
- BCBC is shifting its role from providing project management services to providing customer's representative/expert services for major projects.
- BCBC met with the Ministry of Finance and presented a draft paper on how BCBC could assist in the delivery of public-private partnerships for real estate and accommodation infrastructure.

Dispose of assets strategically

- An Asset Disposition Study was conducted.
- Two properties—4000 Seymour Place in Victoria and 865 Hornby Street in Vancouver—were listed for sale. Colliers International was selected to manage the sale.
- The process to identify and confirm the surplus properties arising from government restructuring is well underway.
- To further examine the concept of a real estate investment trust (REIT) and understand its applicability to BCBC, the Corporation engaged two management-consulting firms to carry out studies on REITs.
- Strategies to expedite facility closures and to prepare for sales of surplus courts and correctional facilities, highways yards, and forest district offices are being developed.

Strengthen BCBC's shared services model

- CAIL Consulting Group Inc., experts in shared services, conducted an assessment of BCBC as a shared service provider of real property and accommodation infrastructure services.
- The Corporation is exploring opportunities to collaborate with the Common Information Technology Services (CITS) and with the Purchasing Commission, with the objective of improving service delivery for our mutual customers.
- Best practice research of shared services organizations was conducted.
- The Pricing Steering Committee met to consider the proposals from the Ministries of Attorney General and Public Safety and Solicitor General for changes to the Pricing Policy.

Increase focus on health and education sectors and on efficiency of government's overall real property system

- BCBC's Health Services Group has largely completed a functional and physical inventory assessment of all residential-care facilities in the province.
- BCBC is assisting some regional health authorities to rationalize their real estate portfolio with the objective of optimizing the use of their owned space.
- BCBC is partnering with health authorities to develop strategies for those BCBC-owned properties in which the health authorities have interests.
- The Corporation, on behalf of Conseil Scholaire Francophone de la Colombie Britannique (CSF), is engaging the private sector to deliver two projects.

Reduce Costs—Early Retirement Incentive Program (ERIP) and Redeployment

- One hundred and eighteen employees enrolled in an Early Retirement Incentive Program (ERIP) that was offered as a strategy to assist in the workforce adjustments that will be required.
- A redeployment project was initiated to optimally place employees within the Corporation to ensure that critical work is accomplished, as BCBC adjusts to the vacancies created by ERIP.

Strategic Objective 1 — Customer Success

Provide best value solutions and service delivery which contribute to our customers' success

Performance Results

Goals and Performance Measures	2000/01 Actual	2001/02 Target	2001/02 Actual	Discussion
1.1 Increase customer satisfaction and improve customer responsiveness				The annual Customer Satisfaction Index, a survey of decision-makers among BCBC's customers by an independent consulting company, was deferred this year due to uncertainties in our customers' operating environments. A survey is scheduled for 2002/03.
- Overall satisfaction rating on customer survey	69%	73%	-	
- Responsiveness index rating on customer survey	67%	73%	-	
1.2 Retain ministry and non-ministry customers				All customers were retained this year, exceeding the target of 95%. This result is a slight improvement over last year's result of 99% customer retention and 99.9% revenue retention levels.
- Rate of customer retention	98.8%	95%	100%	
- Rate of revenue retention	99.9%	95%	100%	
1.3 Fulfil outcome commitments made with customers				Customers confirmed that BCBC fulfilled 95.6% of the outcome commitments made in Customer Plans (that were within the Corporation's control), exceeding the 90% target.
- Percentage of outcome fulfilled	-	90%	95.6%	
1.4 Achieve cost savings to customers through business expansion and innovation				The Corporation achieved $5.25 million in cost savings to customers, exceeding the annual target of $1.4 million. With approximately $2.97 million in savings reported last year, the three-year (2000-2003) target of $4 million has been exceeded at $8.21 million.
- Annual cost savings to customers	$2.97M	$1.4M	$5.25M	

Strategy Progress

Support major government and customer priorities by identifying and pursuing opportunities where BCBC can assist in improving program delivery and reducing costs.

- BCBC facilitated the development of the Ministry of Human Resources (Region 8) Service Delivery plan.
- Working with the Ministries of Attorney General (MAG) and Public Safety and Solicitor General (MPSSG):
  - Building Occupancy Charge (BOC) savings of $2.58 million were achieved from one-time reductions, reduced/deferred service levels and the ministry-imposed freeze on spending.
  - Additional BOC savings of $1.06 million in 2001/02, and ongoing savings of $1.07 million per year, resulted from the re-amortization of remaining secure jails from 40 to 50 years.
  - MAG savings related to courts of $2.20 million annually will result from reducing the interest rate payable for amortized Special Tenant Improvements and extending the amortization period to a maximum of 25 to 50 years.
- Support to the Ministries of Health Planning and Health Services (MoHS) and Health Authorities included:
  - assistance with refining a new service delivery model that substituted housing-based solutions for residential and alternate level of care beds;
  - substantial completion of a province-wide residential-care facilities assessment project;
  - functional and physical assessment pilot projects for acute and residential-care facilities within three Health Authorities;
  - the development of a draft long-term capital plan and a 2002/03 capital plan and project ranking system with the MoHS;
  - completion of the successful Riverview prototype;
  - a ranking system to focus facility funding for the Provincial Renal Agency; and,
  - support to Health Authorities in the creation of their service and facility plans for continuing care.

Implement the Community Service Delivery Model (CSDM) to better serve our customers.

- Accommodation Planning, Leasing, and Development Services staff are now located within the seven districts. Service improvement teams focus on managing and resolving customer issues and ensuring continuous improvement.

Develop integrated, innovative solutions and processes to contribute to customer effectiveness and/or reduce total costs.

- The "adaptable workplace lab," proposed for 810 Blanshard, was cancelled as the building was not available. Research was completed and learnings gained from this integrated planning and design approach, that included furniture, voice/data and facility, were applied to the Vancouver Island Technology Park.

Develop and implement a customer relationship management framework that focuses on improved responsiveness and flexibility; and,

Develop and implement a comprehensive customer satisfaction measurement framework.

- These two strategies were merged. Best practice research was completed. The strategy for customer satisfaction measurement was developed and an action plan for the 2000 survey was implemented. Customer plans with measurable outcomes and completion dates were developed and implemented for each major customer.

Strategic Objective 2— Strengthening our Foundation

Continuously review and improve the BCBC model and the way we do business to optimize corporate performance

Performance Results

Goals and Performance Measures	2000/01 Actual	2001/02 Target	2001/02 Actual	Discussion
2.1 Perform core process reviews and reduce cost of operations and cycle time	-	15%	-	A billing business process improvement implementation plan commenced. Cost savings and cycle time reductions are expected to well exceed the 15% targets.
2.2 Minimize general and administration costs				G&A costs were slightly higher than the budgeted target and last year's result. This variance is primarily attributable to unbudgeted costs related to employee future benefits that needed to be accrued and ERIP implementation.
- General and administrative (G&A) costs as a percentage of total revenue	2.57%	2.61%	2.78%	
2.3 Maintain the ratio of area managed per employee at the 1999/00 level				The area managed per operations and maintenance employee is about 5% greater than the target (1999/00 baseline level), while the ratio for all employees is consistent with the target. The improvement over last year is the result of a reduced number of employees and an increase in the maintained component of the portfolio.
- Area managed per employee (m^2 per employee)	2,760	2,862	2,835	
- Area managed per operations and maintenance employee (m^2 per employee)	6,135	5,994	6,275	
2.4 Ensure that operations and maintenance (O&M) costs for owned buildings are at comparable levels				A pricing category change this year makes direct comparisons to last year incompatible. When this effect is corrected, the costs per square metre show an increase of 3.0% for market properties and 2.3% for non-market properties. These variances can be explained by slight cost increases and a downward trend in ownership. An independent benchmarking study (2001) involving 40 public and private sector organizations and covering 43 selected market properties rated BCBC's O&M costs per square metre lowest overall.
- O&M costs per square metre for market properties	$52.11	-	$46.09	
- O&M costs per square metre for modified investment properties	$45.51	-	$53.38	
2.5 Ensure that contribution margin levels for each of our core services are at acceptable levels	-	-	-	The development of the infrastructure to support this goal was deferred as Core Services Review priorities necessitated new core service definitions.

Strategy Progress

Review and improve our business practices, systems and processes to enhance our competitiveness and better respond to customer, share holder and employee needs.

- Recommendations for the billing business process improvement project were approved, and implementation is underway.
- A transformational change steering committee was established. Comprehensive training in change leadership methodology was provided and is being applied to the eight transformational change projects that are now underway to ensure that BCBC delivers on the recommendations it put forward in the Core Services Review.
- A number of E-Business applications and technology-based solutions were made available to BCBC customers and suppliers, including: an online Request for Service for customer requests; Web-based applications for customers including a BCBC organizational chart, a province-wide building contact inquiry system and the ability to access leased space requests online; the development of an online estimating tool to help customers with their accommodation-scenario planning needs; the new "Property for Sale" Web site; and, an application for Health Authorities to match suppliers to their accommodation-related projects.
- Four benchmarking reviews of the Human Resources (HR) function were completed, and an HR Activity-Based Costing system was developed and implemented.
- Profitability reporting by portfolio has been implemented and profitability reporting by agreement is nearing completion. This will permit the Corporation to implement contribution reporting that will facilitate goal measurement, promote goal congruency and improve corporate financial performance.

Review and improve the BCBC business model to ensure best value to our shareholder.

- Four studies were conducted: Organizational Assessment; Alternative Service Delivery (ASD) Feasibility; Asset Disposition; and, Shared Services. These reports provided valuable input into the development of the Corporation's strategic direction as presented to the Core Review and Deregulation Task Force, and are the basis for proactive initiation of key strategies.

Link corporate, team and individual performance accountabilities to the needs of our customers and shareholder.

- This work was deferred as a result of the Core Services Review and will be addressed as part of organizational design change work that is now underway.

Strengthen our shareholder relationships to ensure we are respon sive to their needs and priorities.

- The Corporation presented a comprehensive implementation plan as part of the Core Services Review that was approved by government in February 2002.
- The Corporation has been given the lead to rationalize accommodation emanating from government restructuring (the Government Accommodation Restructuring Initiative). Treasury Board has approved a central fund of $150 million for 2002/03 and $50 million for 2003/04 to address these issues.
- The Corporation worked with ministry customers, the Pricing Steering Committee and through the Board of Directors to review and evaluate the current Pricing Policy.

Strategic Objective 3— High-Performance Culture

Foster a high-performance culture to ensure individual, team and corporate success

Performance Results

Goals and Performance Measures	2000/01 Actual	2001/02 Target	2001/02 Actual	Discussion
3.1 Increase level of employee satisfaction				
- Rating of overall satisfaction on employee survey	63%	-	-	The employee survey is only conducted every second year; as a result, the next survey is scheduled for 2002/03.
3.2 Implement the Corporation's new Performance Development Process in all work groups				
- Implementation rate	65%	100%	100%	The Performance Development Process has now been implemented in all work groups; however, about 10% of employees still require training. Last year, 73% of eligible employees submitted year-end summaries and 71% submitted individual learning plans. These rates are expected to increase this coming fiscal year.
3.3 Improve understanding of our corporate values and perceptions of the extent to which these values are being practiced	-	-	-	A process to review BCBC's corporate values is scheduled for 2003/04. As a result, a survey of value understanding and practice was deferred.
3.4 Increase performance on initiatives including wellness, multiculturalism, diversity and providing employment opportunities for youth				
- Injury rate (loss time injuries per 100 employees)	1.65	-	1.18	The injury rate is 29% lower than last year, and 40% below the Corporation's 10-year average.
- Rate of absenteeism	2.3%	-	2.6%	The rate of absenteeism is slightly above last year's level, but below the Corporation's five-year average. The Corporation's rate is 47% below the provincial government rate.
- Percentage of employees from designated equity groups	41.7%	-	41.5%	The hiring freeze has limited opportunities to improve designated equity group representation in the Corporation.
- Number of youth hired	98	70	95	The number of youth hires approximates the 2000/01 total, while the number of hours worked by these employees exceeds last year's level. The target of 70 hires was exceeded.

Strategy Progress

Align team and individual performance and learning goals with our strategic objectives and core values through our Performance Development Process (PDP).

- The implementation of the Performance Development Process (PDP) is completed. Now, all employees working with their managers develop annual performance goals and a learning plan, which is reviewed mid-year and at year-end.

Recognize and reward contributions of teams and individuals in achieving our strategic objectives and living our values.

- One hundred and sixty-four employees were the recipients of 181 formal recognition awards for team or individual contributions.

Develop and implement human resource planning and recruitment strategies to ensure an appropriately skilled and diverse workforce that supports business priorities.

- Strategies focused on preparing for the organizational changes that will result from the Core Services Review implementation plan. An early retirement incentive program was implemented (118 employees enrolled), and a redeployment initiative to optimally place employees within the Corporation has been initiated.

Increase leadership and management capabilities to foster effective teamwork, communication and change management across the Corporation.

- The Emerging Leadership Program for middle managers was developed with Royal Roads University, and 84 middle managers participated in the program.

Develop and acquire the critical competencies to support the achievement of our strategic objectives and encourage employee flexibility, innovation and continuous learning.

- The foundation and leadership competencies are now incorporated in the Performance Development Process.

Strategic Objective 4— Innovative Stewardship

Provide innovative stewardship of public real estate assets, while contributing to the economic, social and environmental sustainability of communities

Performance Results

Goals and Performance Measures	2000/01 Actual	2001/02 Target	2001/02 Actual	Discussion
4.1 Increase return on investment (ROI) for owned market-comparable properties - ROI for owned market-comparable office buildings	9.44%	-	9.35%	ROI increased from 9.14% in 1999/00 to 9.44% in 2000/01, and then decreased slightly to 9.35% in 2001/02. Returns remain above benchmark levels in core urban and regional centres. While remaining slightly below long-term targets, returns for smaller and remote communities improved from 7.98% in 2000/01 to 8.86% in 2001/02.
4.2 Participate with public sector agencies to complete community-based integrated accommodations plans (IAPs)	1 project (Nanaimo)	1 project	Project initiated (Westside)	A needs study for an IAP project in the Okanagan was completed early in the year. Midway through the year, the initiative was placed on hold as resources were dedicated to delivering the Corporation's Core Services Review implementation plan.
4.3 Maintain office vacancy rates at 1999/00 levels - Office vacancy rate	2.00%	2.02%	1.88%	Despite government restructuring, the rate remained relatively stable over the year. Benchmark data in selected urban areas indicate that the Corporation's rate is well below market vacancy rates.
4.4 Reduce environmental risks and manage liabilities associated with contaminated sites - Status of risk management activity (contaminated sites)	51%	-	72%	Over 72% of applicable sites have been deemed as not contaminated, have been remediated, are under remediation, are being risk managed and monitored, or have risk management or remediation plans in place. All sites identified as "high priority" have been remediated or are under remediation.
- Estimated outstanding remediation costs (contaminated sites)	$19.5M	-	$20.3M	The estimate increased over the year as more accurate information became available with risk management activity.
4.5 Reduce environmental risk and hazards on properties by enhancing our pollution prevention (P2) program - P2 operating practices and infrastructure in place	92.9%	95%	94.1%	Since the program was introduced in 1995, over 94% of appropriate P2 operating practices and complementary infrastructure have been implemented at over 250 applicable sites throughout the province.
4.6 Maximize savings realized by our energy management program. - Energy intensity (mega joules per square metre)	1,283	-	1,229	Energy intensity decreased by 4.2% over last year. While some of this improvement is the result of uncontrollable circumstances (e.g., closure of New Haven Correctional Centre), most of the reduction can be attributed to operational efficiency and retrofit enhancements.

Strategy Progress

Ensure best solutions on behalf of the shareholder and/or our customers by developing specific concept and implementation plans to redevelop, sell or enhance the use of the Jericho, Glendale, Riverview and Woodlands properties.

- Further action on the Jericho property has been deferred given the recent court decisions on cases involving Aboriginal rights and the associated due-diligence/consultation processes.
- Construction at the Vancouver Island Technology Park (VITP) was completed. Significant features demonstrating "Green Building" principles have been incorporated. Over 47,000 square feet (or approximately 25%) of the VITP has been leased; comprising about 29,500 square feet in the main building. In addition, inquiries and tours increased significantly late in the year, demonstrating strong leasing interest.
- The prototype for residential-style mental health care was successfully implemented at Riverview and is proving to be a solution that is both cost-effective and appropriate for a segment of tertiary mental health patients.
- Comprehensive planning of the Woodlands site was significantly advanced. Preparations for a redevelopment plan, which will form the basis of an application for rezoning, have commenced.

Prevent pollution by implementing BCBC's ISO Certified Environmental Management System.

- The Environmental Management System is being implemented. Progress is being monitored on an ongoing basis and cross-functional teams have been formed to refine long-term targets and develop associated programs. The Environmental Stewardship policy has been updated to provide more guidance on application and responsibilities.
- Pollution prevention operating practices and infrastructure upgrades are being implemented in accordance with the principles of due diligence.
- The contaminated sites program is on schedule.

Provide leadership in Green Building design, construction, operation and deconstruction.

- A draft Greenhouse Gas Action Plan is substantially complete.
- Retrofit activity is complete, underway or in the planning stage at 13 institutions throughout the province; representing estimated capital investment of $66.2 million and operating savings of $7.8 million per year.
- Vancouver Island Technology Park (VITP) was the first project in Canada to be certified Gold under the US Green Buildings Council's LEED™ building rating system and the third awarded Gold in the world. This was achieved with no increase in the project's very tight capital budget.

Increase awareness and understanding of sustainability issues.

- Action was deferred pending government development of a Community Charter. More dialogue is required to understand the concept of community sustainability and BCBC's role in contributing to it.

Promote the single taxpayer concept to other government agencies to optimize the use of public sector accommodation and real estate assets.

- The Integrated Accommodation Planning pilot in Westbank (Okanagan) was put on hold once government restructuring commenced. The BCBC-led Government Accommodation Restructuring Initiative (GARI) will address demand changes for accommodation and real estate assets and, where possible, integrate this information with that of other levels of government including the federal government, major municipalities and provincial Crown corporations to promote the single taxpayer concept.

Develop and implement best-practice portfolio management plans that integrate economic, social, and environmental interests and opportunities of regions and communities.

- Provisions are built into the design of the Government Accommodation Restructuring Initiative (GARI) to ensure that community interests are taken into consideration. The Board of Directors approved the ownership policy for real property (real assets) and intends to revisit it in 2002/03.

Strategic Objective 5— Business Development

Extend our business where it improves the efficiency and effectiveness of the public sector

Performance Results

Goals and Performance Measures	2000/01 Actual	2001/02 Target	2001/02 Actual	Discussion
5.1 Achieve new business revenue from existing and new public sector customers (where beneficial to the taxpayers of British Columbia) - New business revenue	$23.97M	$15M	$28.97M	New business revenue of approximately $29 million exceeds the annual target of $15 million. This variance is higher than anticipated due to unexpectedly strong non-ministry client project revenues. With about $24 million in new business revenues achieved last year, the two-year total of $53 million has already exceeded the three-year target of $48 million.
5.2 Set prices and deliver all bundled core products and services below market and all stand-alone core products and services at market	-	-	-	A single performance measure for this goal was not developed; however, the Corporation has completed various benchmarking reviews of its major lines of business that support the conclusion that its pricing application is below market for bundled core products and services and at or below market for stand-alone core products and services.

Strategy Progress

Identify and develop value-added business opportunities in alignment with our Business Development Plan.

- The Health Services Group (HSG) is completing a functional and physical inventory assessment of all residential care facilities in the province. This assessment will provide information required by the Health Authorities to enable them to meet government's commitment to increase the number of residential care beds in the province and to reposition the existing facilities in support of the government's Home and Community Care strategy
- BCBC is assisting some Health Authorities to rationalize their real estate portfolio with the objective of optimizing use of their owned space. With the objective of optimizing service delivery and maximizing land value, BCBC is partnering with Health Authorities to develop strategies for BCBC- owned properties, where both BCBC and Health Authorities have interests.
- The revised Memorandum of Understanding with the federal government (five-year term) was signed February 2002; many opportunities are being pursued.

Achieve our competitive advantage through defining and bundling our services.

- The Corporation has completed various benchmarking reviews of its major lines of business that support the conclusion that its pricing application is below market for bundled core products and services and at or below market for stand-alone core products and services.

Partner with ministries and central agencies to assist in the successful start-up of independent agencies

- This strategy was omitted from our 2001/02 annual plan as no new start-ups were identified.

Develop and evolve our products and services to respond to emerging customer needs and market and economic conditions.

- Further work on this strategy was deferred in favor of other priorities. An approach was developed to conduct corporate research and development.

Financial Indicators

Performance Results

Goals and Performance Measures	2000/01 Actual	2001/02 Target	2001/02 Actual	Discussion
1. Total revenue ($million)	$451.81	$458.86	$458.79	Year-end revenues approximated the target (budget). Lower than anticipated revenues from ministry customers were offset by heavy client project activity among non-ministry customers.
2. Total expenditure ($million)	$411.28	$425.59	$428.18	Expenditures were $2.59 million over the target (budget), which is primarily attributable to $5.1 million in unbudgeted costs associated with the Corporation's early retirement incentive program.
3. Operating margin	17.4%	16.1%	16.6%	The positive variance to target (budget) is primarily attributable to lower-than-budgeted total expenditures (excluding early retirement incentive program costs). The key contributing items were lower energy, and operations and maintenance costs.
4. Gains on property disposals ($million)	$10.35	$6.97*	$6.64	Gains on the sale of property disposals were slightly below the revised budget of $6.97 million, but above the most recent year-end forecast of $6.2 million, reflecting higher-than-anticipated net proceeds realized on some sales.
5. Net income ($million)	$50.88	$40.24*	$37.25	Net income was under the target (budget), primarily attributable to unbudgeted costs associated with the early retirement incentive program. When these costs are removed, the year-end net income level is $2.09M greater than budget (primarily due to lower than projected energy, amortization and interest costs).
6. Return on equity	18.7%	14.2%	13.2%	When the unbudgeted costs associated with the early retirement incentive program are removed, return on equity increases to 14.9%, exceeding the target (budget) level.
7. Return on investment	8.5%	7.7%	8.1%	Return on investment exceeded the target (budget) level due to higher-than-budgeted income from operations, together with lower-than-anticipated levels of net assets due primarily to reduced capital spending.

** The original budget figure of $5.97 million was increased by $1 million to meet a higher net income target commitment to the shareholder (i.e., the net income target was increased from $39.2 million to $40.2 million).*

Five-Year Highlights

	Year Ended March 31	2002	2001	2000	1999	1998
FINANCIAL	$ THOUSANDS					
	Gross Revenue	458,788	451,807	447,655	436,264	428,541
	Operating Income	75,956	78,772	89,177	90,930	88,211
	Interest	39,867	38,243	60,065	51,474	60,677
	Gains on Sale of Properties	6,636	10,351	15,883	9,964	11,779
	Net Income	37,253	50,880	44,995	49,420	39,313
	Cash Flow from Operations	97,104	94,360	138,448	102,455	96,719
	Total Assets (net)	991,831	953,604	968,684	1,095,714	1,073,676
	PER CENT					
	Operating Income Margin	16.6	17.4	19.9	20.8	20.6
	Return on Investment	8.1	8.5	9.0	8.6	8.6
	Return on Equity	13.2	18.7	15.8	18.1	17.1

	Year Ended March 31	2002	2001	2000	1999	1998
PROPERTIES	SQUARE METRES					
	Owned	1,303,612	1,312,210	1,314,195	1,330,816	1,327,687
	Leased	690,552	695,077	691,003	714,185	726,064
	Maintained	386,621	360,695	350,473	406,186	261,569
		2,380,785	2,367,982	2,355,671	2,451,187	2,315,320
STAFF						
	Full Time Equivalents	850	858	833	808	774

Financial Report

Management's Report

The financial statements of British Columbia Buildings Corporation have been prepared by the management of the Corporation, which is responsible for their consistency, integrity and objectivity. The statements have been prepared in accordance with accounting principles generally accepted in Canada and reflect management's best estimates and judgments based on currently available information. Financial information presented elsewhere in the Annual Report is consistent with that in the financial statements.

Management is also responsible for the maintenance of financial and operating systems, which include effective controls to provide reasonable assurance that the Corporation's assets are safeguarded and that reliable financial information is produced.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities through its Audit Committee, whose members are not involved in the day-to-day activities of the Corporation. The Committee meets regularly with management and the external auditors who have full and free access to the Committee.

The external auditors, who are appointed by the Lieutenant-Governor-in-Council, have examined the financial statements which have been approved by the Board of Directors on recommendation of the Audit Committee.

Dennis Truss, FCA
President and
Chief Executive Officer

Lak Parmar, CMA
Vice President, Finance and
Chief Financial Officer

The Auditors' Report

To the Lieutenant-Governor-in-Council
Province of British Columbia:

We have audited the balance sheet of the *British Columbia Buildings Corporation* as at March 31, 2002 and the statements of income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The figures for 2001, presented for comparative purposes, are taken from financial statements reported on by the Auditor General of British Columbia.

Victoria, British Columbia
May 10, 2002

Balance Sheet

$ 000s	March 31 2002	2001
ASSETS		
Real estate investments		
Income-producing properties (note 3)	825,741	840,390
Income-producing properties under construction (note 4)	32,557	18,767
Properties held for sale or development (note 5)	32,716	23,096
	891,014	**882,253**
Corporate properties and equipment (note 6)	13,220	12,247
Unamortized debt discount and issue expenses	8,459	8,911
Other assets (note 7)	79,138	50,193
	991,831	**953,604**
LIABILITIES		
Long-term debt (note 8)	485,223	505,542
Short-term debt (note 9)	116,530	107,701
Other liabilities (note 10)	96,020	68,422
	697,773	**681,665**
EQUITY		
Contributed surplus	52,832	52,832
Retained earnings	241,226	219,107
	991,831	**953,604**

Commitments (note 11)

See accompanying notes to the financial statements.

On Behalf of the Board:

Doug Allen
Chair

Cathy Flikweert, CGA
Director

Statement of Income and Retained Earnings

$ 000s	Year Ended March 31 2002	2001
REVENUES		
Rentals	412,738	403,579
Other income	46,050	48,228
	458,788	**451,807**
EXPENSES		
Lease costs	136,895	131,453
Operations and maintenance	106,803	101,124
Amortization	41,570	41,602
Client requested projects	35,641	43,340
Property taxes and grants	18,233	18,371
Energy	23,561	22,827
General and administrative	12,755	11,626
Environment	7,374	2,692
	382,832	**373,035**
INCOME FROM OPERATIONS	75,956	78,772
Interest (note 12)	(39,867)	(38,243)
Gains on sale of properties	6,636	10,351
INCOME BEFORE RESTRUCTURING COSTS	42,725	50,880
Government Accommodation Restructuring (note 15)	(396)	-
Early Retirement Incentive Plan (note 16)	(5,076)	-
NET INCOME	**37,253**	**50,880**
Retained earnings, beginning of year	219,107	218,427
Dividend	(15,134)	(50,200)
RETAINED EARNINGS, END OF YEAR	**241,226**	**219,107**

See accompanying notes to the financial statements.

Statement of Cash Flows

$ 000s	Year Ended March 31 2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	37,253	50,880
Non-cash items		
Amortization of capital assets and other amounts	42,022	41,773
Gains on sale of properties	(6,636)	(10,351)
Other assets and liabilities, net change	16,454	(4,093)
	89,093	78,209
CASH FLOWS FROM INVESTING ACTIVITIES		
Real estate investments	(47,366)	(37,324)
Corporate properties and equipment	(5,312)	(5,565)
Proceeds from sale of properties	8,011	16,151
	(44,667)	(26,738)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long-term debt repayments	(146)	(35,134)
Increase in sinking funds	(20,173)	(2,626)
Increase in short-term debt	8,829	32,297
Dividends paid	(15,134)	(50,200)
	(26,624)	(55,663)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	17,802	(4,192)
Cash and cash equivalents, beginning of year	10,860	15,052
CASH AND CASH EQUIVALENTS, END OF YEAR (note 13)	28,662	10,860

See accompanying notes to the financial statements.

Notes to Financial Statements

March 31, 2002

Tabular amounts in $ 000s

1. Statement of Purpose

British Columbia Buildings Corporation (the Corporation), established in 1977 as a Crown corporation of the Province of British Columbia through the enactment of the *British Columbia Buildings Corporation Act*, has a mandate to serve as an agency of the Crown in providing real property and accommodation infrastructure services to the provincial government and the broader public sector. Corporate and client accountability is achieved by charging market-based prices for services rendered, and using private-sector management principles. During the year, the Corporation received 73% (2001 - 74%) of its revenues from provincial government ministries and 16% (2001 - 16%) from other provincial government entities , with the balance from other sources.

2. Accounting Policies

The financial statements of the Corporation are prepared in accordance with Canadian generally accepted accounting principles and are substantially in accordance with the recommendations of the Canadian Institute of Public and Private Real Estate Companies (CIPREC). The Corporation's significant accounting policies are as follows:

(a) Real Estate Investments and Corporate Properties and Equipment

Real estate investments and corporate properties and equipment are recorded at cost less accumulated amortization. In addition to land and direct costs, amounts capitalized to real estate investments during development and construction include property taxes and the applicable portion of both interest on general borrowings and general and administrative expenses. Capitalized costs do not exceed estimated future recoveries for income-producing properties and estimated realizable value for properties held for development.

(b) Temporary Investments

Temporary investments represent short-term funds administered by the Province of British Columbia. These investments are recorded at cost which approximates market.

(c) Amortization

Real estate investments and corporate properties and equipment are amortized on an individual basis by the straight-line method over their estimated useful lives or lease terms. Amortization is prorated by month in the year of acquisition or disposal.

The estimated useful lives or lease terms of income-producing and corporate properties are from five to fifty years. The estimated useful lives of all other assets are from three to ten years.

(d) Income Taxes

The Corporation is exempt from federal and provincial income taxes.

(e) Amortization of Debt Discount and Issue Expenses

Debt discount is amortized by the effective rate of interest method and issue expenses are amortized on a straight-line basis, both over the terms of the applicable debt.

(f) Related Party Transactions

The Corporation is related through common ownership to all Province of British Columbia departments, agencies and Crown corporations. Transactions with these entities, as well as other transactions in which provincial government intervention is a component, are generally considered to be in the normal course of operations and are recorded at the exchange amount. Unless disclosed separately in these financial statements, this exchange amount approximates market.

(g) Environmental Expenditures and Liabilities

Under the current environmental legislation and the Corporation's standard accommodation agreement with clients, responsibility for site cleanup rests with the polluter.

Environmental expenditures incurred as a result of the ongoing business activities of the Corporation are expensed or capitalized as appropriate. Environmental cleanup costs are recoverable from clients. These recoveries are included in other income.

(h) Accounting Estimates

Financial statements, by their nature, contain estimates and are subject to measurement uncertainty. Accounts receivable are evaluated as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. The amounts recorded for amortization of capital assets and deferred charges are based on estimates of the useful life benefit of these assets. The effect on the financial statements of changes in such estimates in future periods is not anticipated to be significant.

3. Income-Producing Properties

	2002	2001
Net book value:		
Cost	1,387,491	1,367,078
Accumulated amortization	(561,750)	(526,688)
	825,741	**840,390**
Activity:		
Net book value, beginning of year	840,390	820,962
Properties transferred from income-producing properties under construction	32,522	60,850
Disposals, net	(9,766)	(3,505)
Amortization expense	(37,405)	(37,917)
Net book value, end of year	**825,741**	**840,390**

4. Income-Producing Properties Under Construction

	2002	2001
Balance, beginning of year	18,767	42,475
Direct development and construction costs	40,370	31,270
Capitalization of:		
Interest	2,294	2,651
General and administrative expenses	3,648	3,221
Cost of properties completed and transferred to income-producing properties	(32,522)	(60,850)
Balance, end of year	**32,557**	**18,767**

5. Properties Held For Sale or Development

	2002	2001
Balance, beginning of year	23,096	25,208
Capitalization of interest and property tax	767	121
Acquisitions/(disposals), net	8,853	(2,233)
Balance, end of year	**32,716**	**23,096**

6. Corporate Properties and Equipment

	2002	2001
Cost:		
Office and data processing equipment	22,725	26,288
Corporate properties and leasehold improvements	9,905	9,250
Maintenance equipment	2,984	3,376
Vehicles	6,166	5,882
	41,780	44,796
Accumulated amortization	(28,560)	(32,549)
	13,220	**12,247**

7. Other Assets

		2002	2001
Temporary investments		34,500	14,000
Accounts receivable:			
Short-Term	- Provincial Ministries and entities	34,341	22,736
	- Other	6,191	6,536
Long-Term	- Provincial Ministries and entities	3,006	3,803
	- Other	954	3,010
Prepaid expenses		146	108
		79,138	**50,193**

8. Long-Term Debt

	2002	2001
Debentures payable to the Province of British Columbia		
Various issues at an average effective interest rate of 7.92% (2001 – 8.35%) maturing at various times to 2029 (2001–2029)	622,512	622,512
Mortgage payable to the Bank of Montreal	1,061	1,207
	623,573	623,719
Sinking funds on deposit with the Province of British Columbia	(138,350)	(118,177)
	485,223	505,542

At March 31, 2002, the coupon rates on the long-term debt ranged from 5.40% to 10.75% (2001 – 5.40% to 10.75%).

The Province of British Columbia has unconditionally guaranteed the principal and interest of all debt payable to third parties.

Principal payments, net of projected sinking fund balances at maturity, and sinking fund payments for each of the next five years:

2002/03	12,035
2003/04	53,325
2004/05	9,973
2005/06	9,973
2006/07	8,650

9. Short-Term Debt

The interest rates on short-term debt range from 1.77% to 2.19% (2001 – 4.69% to 5.60%), and result in an average effective interest rate of 2.00% (2001 – 4.93%) for the notes outstanding. These notes mature at varying dates to September 3, 2002 and are payable to the Province of British Columbia.

10. Other Liabilities

	2002	2001
Bank indebtedness, unsecured	5,838	3,140
Accounts payable and accrued liabilities	36,454	30,622
Holdbacks	11,789	8,323
Accrued interest payable:		
Province of British Columbia	10,621	10,768
Other	3	6
Deferred revenue	31,315	15,563
	96,020	68,422

11. Commitments

The Corporation estimates that the cost to complete projects under construction at March 31, 2002 will be $14,986,000 of which $7,329,000 has been committed.

The Corporation has entered into leases with third parties to provide space for clients and corporate operations for varying periods up to the year 2017, at a total aggregate net rental of approximately $443,643,000. Most lease terms are from five to ten years and include renewal options.

Minimum lease payments which will be charged to operations in subsequent years for leases committed at March 31, 2002:

2002/03	114,599
2003/04	94,178
2004/05	69,883
2005/06	47,961
2006/07	28,572
Thereafter	88,450

The Corporation had outstanding letters of credit totalling $351,000 at March 31, 2002 to guarantee performance on various projects.

12. Interest

	2002	2001
Interest on long-term debt	47,926	49,414
Other interest	2,353	1,271
Amortization of debt discount and issue expenses	452	171
	50,731	50,856
Deduct:		
Sinking fund earnings	8,182	9,846
Interest capitalized	2,682	2,767
	10,864	12,613
	39,867	38,243

13. Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, balances with banks and investments in money market instruments. Cash and cash equivalents included in the cash flow statement comprise the following amounts:

	2002	2001
Cash on hand and bank indebtedness	(5,838)	(3,140)
Temporary investments	34,500	14,000
Total cash and cash equivalents	**28,662**	**10,860**

14. Employees' Benefit Plans

The Corporation and its employees contribute to the Public Service Pension Plan in accordance with the *Public Sector Pension Plans Act*. The Public Service Pension Plan is a multi-employer, defined benefit plan. The plan is administered under a joint trust agreement by trustees representing the interests of employers and employees. On behalf of employers, the British Columbia Pension Corporation administers the Plan, including payment of pension benefits to employees to whom the Act applies. The most recent actuarial valuation (March 31, 1999) has determined that the Plan is in a surplus position. Under the terms of the joint trust agreement, responsibility for surplus or deficit in the Plan is shared.

In addition, employees are entitled to specific retirement benefits as provided for under the collective agreement and terms of employment. The Corporation accrues the future obligation for these benefits as the employees render the services necessary to earn the benefit. During the year, an expenditure of $1,125,000 was recognized representing these retirement benefits.

15. Government Accommodation Restructuring

In January 2002, provincial government ministries released their service plans for the 2002-2005 period. The implementation of these service plans will result in significant changes to ministry programs and associated accommodation requirements. Government has established funding for certain costs associated with the accommodation restructuring.

The Corporation remains responsible for the following specified costs associated with this restructuring:

(a) For leased market properties vacated by its ministry clients, the Corporation is responsible for costs incurred during the first six months of the vacancy period. During the year, the Corporation recognized an expenditure of $396,000 related to leased space scheduled to be vacated in early 2002/03.

(b) For owned market properties vacated by its ministry clients, the Corporation is responsible for costs associated with any long term impairment in value of these assets that may result from this vacancy.

Determination of any additional costs for vacant space in leased and owned market properties remains subject to final decisions on the implementation of ministries' service plans. These costs will be recognized in the period when they become quantifiable.

16. Early Retirement Incentive Plan

In January 2002, the Corporation offered an early retirement incentive plan to certain employees. During the year, the Corporation recognized an expenditure of $5,076,000 for costs related to those employees who accepted early retirement under the provisions of this incentive plan.

17. Risk Management

(a) Interest rate risk:
In conjunction with the Ministry of Finance (the Corporation's fiscal agent), the Corporation may enter into interest rate agreements to manage its exposure on debt instruments. The terms of these instruments are disclosed in notes 8 and 9.

(b) Credit risk:
The Corporation grants credit to its clients, the majority of whom (note 1) are Province of British Columbia entities. Management feels that any risk associated with such a concentration of credit is offset by the fiscal stability of these clients.

(c) Fair value of financial instruments:
The carrying amounts of financial instruments, other than long-term debt, included in the balance sheet approximate their fair value, due to their short term nature. The fair value of the Corporation's long-term debt, net of sinking funds, at March 31, 2002 was $571,827,000 (2001 - $603,924,000). The fair value of the long-term debt has been estimated based on current market rates for long-term debt with similar terms and conditions.

18. Comparative Figures

Certain balances of the preceding period have been reclassified to conform with the current year's financial statement presentation.

Report on Corporate Governance

Current BCBC Governance Model

BCBC's governance framework is based on the principle that corporate planning and policy determination is a joint Board/Management responsibility. As such, the Board, with the participation of Management, is responsible for the overall vision for the Corporation. The Board's responsibilities include overseeing the conduct of the business of the Corporation and the activities of Management, which is responsible for the overall strategic performance and day-to-day operations of the business. In this regard, the Board Chair, on behalf of the Board, and the President and Chief Executive Officer (CEO), on behalf of Management, work closely on all significant strategic issues.

Composition of the Board

The Board is appointed by the Lieutenant Governor pursuant to Orders-in-Council, for terms of one to three years, which are renewable. The Board is composed of a maximum of nine outside or independent directors. Directors are chosen on the basis of the skills, expertise and experience required for the Board to carry out its responsibilities successfully.

Directors are under a fiduciary duty to the Corporation to carry out the duties of their office honestly and in good faith, and in the best interests of the Corporation. Directors are required to sign a declaration that they agree to conduct themselves in accordance with the BCBC Code of Conduct that sets out the standards of corporate behaviour relating to the duties of care and ethical standards for both Board members and employees.

Committees of the Board

The Board has established and adopted terms of reference for two Board committees: an Audit Committee and a Human Resources Committee. Additional Board committees may be established by resolution of the Board when a perceived need is identified. The Board may also establish ad hoc groups to undertake specific tasks.

The Audit Committee is composed of a minimum of three Board directors. The committee is chaired by a Board member who is recommended by the Board Chair and approved by the Board. This committee is responsible for: reviewing the internal audit plan; overseeing the audit function as performed by both external and internal auditors; reviewing the annual external audit report and audited financial statements; participating with Management in the periodic selection of the external auditor; and, reporting to the Board on its activities, findings and recommendations as appropriate. Management's interface with the Audit Committee is the responsibility of the Vice President, Finance and Chief Financial Officer.

The Human Resources Committee is composed of a minimum of three Board directors. The committee is chaired by a Board member who is recommended by the Board Chair and approved by the Board. The committee has the following duties and responsibilities:

- Reviewing information presented by Management and making recommendations as appropriate concerning: collective bargaining terms of reference; corporate-wide compensation policy and plans; corporate-wide incentive programs; and, the compensation, annual performance plan, performance evaluation, succession planning and recruitment/selection relating to the President and CEO;
- Reviewing the recommendations of the President and CEO regarding: the compensation, benefits, perquisites and incentive levels of the Vice Presidents; the annual performance evaluations of the Vice Presidents; and, proposed personnel changes involving senior officers reporting to the President and CEO; and,
- Monitoring and reviewing the Corporation's key human resources policies and practices, as proposed by the President and CEO.

Management's interface with the Human Resources Committee is the responsibility of the President and CEO and the Vice President accountable for Human Resources.

Role of the Chair of the Board

The Chair of the Board is selected by government and is a member of the Board appointed by the Lieutenant-Governor pursuant to an Order-in-Council. The Chair provides leadership in guiding the Board and coordinating its activities in the best interests of the Corporation. In performing this role, the Chair manages the affairs of the Board and works closely with the President and CEO in a co-leadership role in overall corporate strategic planning and policy determination.

Role of the President and CEO and Management

The President and CEO is accountable to the Board; shares strategic leadership responsibilities with the Chair and Board; provides executive leadership to the Corporation as a whole; and, directs management and staff. The President and CEO is accountable for the overall strategic performance and operation of the Corporation. Members of management report to the President and CEO, and to the Board and its committees, on a regular basis to review the Corporation's financial and operational results and the Corporation's progress in fulfilling its strategic goals and objectives.

Interface with (Relationship to) the Shareholder

The Minister responsible is the representative of the Shareholder and is responsible to the public, through the Legislative Assembly, and to Cabinet to ensure that the Shareholder's expectations have been adequately communicated and acted upon by the Corporation.

The Board provides policy direction and oversight to corporate management to ensure that the Corporation effectively fulfils its mandate and, therefore, meets Shareholder expectations.

The Board, represented mainly by the Chair, takes primary responsibility for the interface between the Shareholder and the Corporation. In this regard, the Chair works closely with the President and CEO.

Governance Manual

In July 2001, BCBC's Board of Directors approved a corporate governance manual, which sets out the Corporation's governance framework and includes reference materials for Board members' use. This manual reflects the results of an intensive governance review undertaken by the Board and Management, which began in the fall of 2000 and concluded in early 2001/02. The governance framework set out in the manual:

- Utilizes best practices of corporate governance;
- Clarifies the lines of responsibility and accountability;
- Promotes an effective working relationship between the Board, Management and the Shareholder; and,
- Sets out agreed objectives, expectations and results in meeting the corporate mandate.

The manual sets out in detail the respective responsibilities of the Board, the Board Chair and Board committees; the Corporate Secretary and Assistant Corporate Secretary; and, the President and CEO and Senior Management.

It also addresses such matters as:

- Guidelines for the conduct of individual directors (including BCBC's Code of Conduct);
- Guidelines for the functioning of the Board and its Committees;
- The process for annual President and CEO performance reviews/evaluations;
- Board evaluations/appointments, including an annual Board self-evaluation process;
- Board training and orientation;
- The corporate strategic planning process including the annual planning schedule and Board and Management responsibilities with respect to planning and performance reporting; and,
- The Board's role in corporate policy development, including identification of the broad areas for which the Board approves policies.

Board of Directors

Doug Allen
Chair (Victoria)

Peter Cook
(Vancouver)

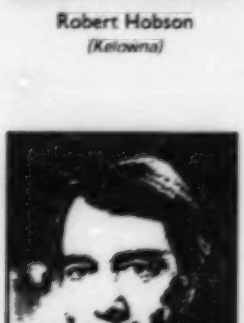
Cathy Flikweert
(Victoria)

Carole Gillis
(Kamloops)
To January 2002

Robert Hobson
(Kelowna)

Jageero (Jag) Johl
(North Vancouver)
To June 2001

Patrick Kelly
(Vancouver)

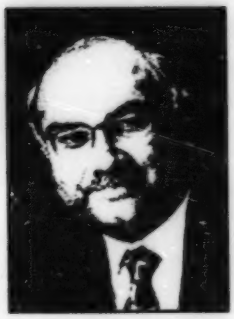


Don O'Conner
(Delta)

Management Committee

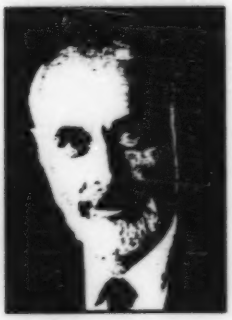
Dennis Truss
President and
Chief Executive Officer

Sharon Halkett
Executive Vice President
(on secondment as CEO,
Crown Agencies Secretariat)



Lak Parmar
Vice President, Finance and
Chief Financial Officer

Barry Herring
Vice President, Client and
Accommodation Services



Brian Kennedy
Vice President, Property
Management

Jim Gugin
Vice President, Real Estate
Development
To February 2002

Glossary of Terms

Government Accommodation Restructuring Initiative (GARI)

BCBC has been assigned responsibility for the strategic management of provincial accommodation restructuring arising from the Core Services Review and three-year budget process. Under GARI, BCBC is working in partnership with government to achieve solutions that complement program delivery needs and maximize benefits to government.

Public-Private Partnerships (P3s)

A definition for P3s is being developed with the government. The following is BCBC's current working definition: A Public-Private Partnership (P3) is the delivery of a public service by the private sector in partnership with the public sector, with: the appropriate apportionment, management and sharing of risk and benefit; the responsibility for financing falling on the private sector; and, an overall improvement in delivering the service.

Real Property

The term "real property" refers to both land and associated improvements. It includes buildings and other affixed infrastructures.

Service Level Agreement (SLA)

An SLA is essentially a contract between a shared services provider and its customer that defines what the customer should expect and at what price. It involves translating customer business requirements into service offerings, and the metrics associated with the delivery of these services form the basis of SLAs. In addition to service contract development, effective service level management is a discipline that includes process execution and reporting mechanisms.

Shared Services

Shared services is one of a continuum of Alternative Service Delivery (ASD) options. Shared services means the sharing and leveraging of resources, people and information to more effectively and efficiently meet business needs. Shared services have the following features in common: shared services operates as a separate entity; location may not be headquarters; fully loaded costs are charged back to the customer; and, no duplication of services is permitted.

Stewardship

The term "stewardship" encompasses the preservation and enhancement of the assets and resources that have been entrusted to us by the shareholder and future generations.

Corporate Information

Scope of Operations

BCBC's diverse portfolio ranges from the Vancouver Law Courts and Robson Square complex to heritage buildings dating from the 1860s, to office buildings, residential institutions, courthouses, forestry complexes, fish hatcheries, ambulance stations, correctional centres and isolated highways facilities.

BCBC manages over 3,500 buildings comprising more than 2.3 million square metres (25.6 million square feet) of space.

Organizational Structure

BCBC is a highly decentralized corporation with a province-wide network of employees strategically located in seven districts, which include 35 service centres and 24 satellite offices. Almost two-thirds of BCBC employees are located outside of Victoria in communities throughout the province.

Community Presence

BCBC's portfolio of leased, owned and maintained properties extends throughout almost 300 communities across the province. This comprehensive community presence enables BCBC to respond promptly to local customer needs while, at the same time, providing opportunities for a broad base of local private-sector suppliers of space, materials and services throughout the province.

Financing

BCBC is structured similarly to a private-sector enterprise. The Corporation uses private-sector management and accounting methods and is totally revenue-dependent.

BCBC provides accountability by charging rents according to market principles and ensures that its underlying policies are fully market-defensible. This approach has enabled BCBC to earn market-comparable financial returns on both individual projects and on total operations, as well as to pay annual dividends to its shareholder—the Province.

Auditors

KPMG LLP

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